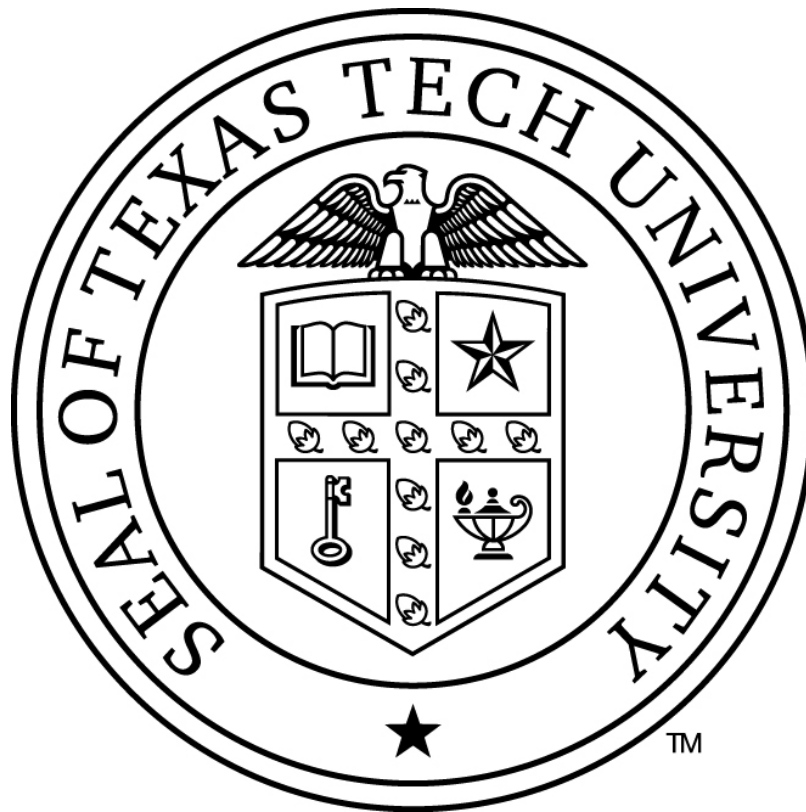


TEXAS TECH UNIVERSITY



ANNUAL FINANCIAL REPORT

FISCAL YEAR 2008

Texas Tech University

83 years of growth,
progress, educational
excellence, and service
to the State of Texas.

1925-2008

ANNUAL FINANCIAL REPORT

OF

TEXAS TECH UNIVERSITY

FOR THE YEAR ENDED AUGUST 31, 2008

LUBBOCK, TEXAS

Table of Contents

Letters of Transmittal	1
Organizational Data	3
Enrollment Data	4
Financial Statements:	
Statement of Net Assets.....	6
Statement of Revenues, Expenses and Changes in Net Assets	8
Matrix of Operating Expenses by Natural Classification.....	9
Statement of Cash Flows	10
Policies and Notes:	
Notes to the Financial Statements	12
Schedules:	
Schedule 1A Schedule of Expenditures of Federal Awards	29
Schedule 1B Schedule of State Grant Pass-Throughs from/to State Agencies.....	30
Schedule 2A Miscellaneous Bond Information	31
Schedule 2B Changes in Bonded Indebtedness.....	32
Schedule 2C Debt Service Requirements.....	33
Schedule 2D Analysis of Funds Available for Debt Service.....	34
Schedule 2E Defeased Bonds Outstanding.....	35
Schedule 2F Early Extinguishment and Refunding.....	36
Schedule 3 Reconciliation of Cash in State Treasury	37



TEXAS TECH UNIVERSITY™

Office of the President

November 17, 2008

Honorable Rick Perry
Governor of Texas

Honorable Susan Combs
Texas Comptroller

Mr. John O'Brien
Director, Legislative Budget Board

Mr. John Keel, CPA
State Auditor

To Agency Heads Addressed:

The attached Annual Financial Report of Texas Tech University is transmitted for inclusion in the State of Texas Annual Financial Report for the fiscal year ended August 31, 2008. The State Auditor has not audited the accompanying annual financial report and, therefore, has not expressed an opinion on the financial statements and related information contained in this report. This report is intended to present a complete picture of the fiscal affairs of the University for the year ended August 31, 2008.

As indicated by the following letter of transmittal, this report has been prepared by the fiscal office of the University to provide a summary of the University's financial records.

Sincerely,

A handwritten signature in cursive script, appearing to read "Guy Bailey".

Guy Bailey
President



TEXAS TECH UNIVERSITY™

Office of Financial Affairs

November 17, 2008

Guy Bailey
President
Texas Tech University
Lubbock, Texas 79409

Dear President Bailey:

Submitted herein is the Annual Financial Report of Texas Tech University for the fiscal year ended August 31, 2008, in compliance with TEX. GOV'T CODE ANN §2101.011 and in accordance with the requirements established by the Comptroller of Public Accounts.

Due to the statewide requirements embedded in Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial report to comply with all the requirements in this statement. The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report (CAFR); therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

If you have any questions, please contact me at 742-3255. Ms. Becky Perez may be contacted at 742-2985 for questions related to the Schedule of Expenditures of Federal Awards.

Sincerely,

Sharon Williamson, CPA
Director of Managerial Reporting

Approved:

Beverly Cotton, CPA
Interim Vice President
Administration & Finance

SSW:nh

Texas Tech University

Board of Regents

Larry K. Anders..... Term Expires January 31, 2011Dallas, TX
F. Scott Dueser..... Term Expires January 31, 2009Abilene, TX
L. Frederick Francis..... Term Expires January 31, 2013 El Paso, TX
Mark Griffin Term Expires January 31, 2011 Lubbock, TX
John F. Scovell Term Expires January 31, 2013Dallas, TX
Daniel T. Serna..... Term Expires January 31, 2011 Arlington, TX
Windy Sitton..... Term Expires January 31, 2009 Lubbock, TX
Bob L. Stafford..... Term Expires January 31, 2009Amarillo, TX
Jerry E. Turner..... Term Expires January 31, 2013Blanco, TX

Student Regent

Kelli Stumbo..... Term Expires May 31, 2009 Flower Mound, TX

Officers of the Board

F. Scott Dueser.....Chair
Larry K. Anders.....Vice Chair
Ben W. Lock Secretary

Fiscal Officers

Guy Bailey..... President
Beverly Cotton.....Interim Vice President for Administration and Finance
Sharon Williamson.....Director of Managerial Reporting

**Texas Tech University
Enrollment Data
For The Year Ended August 31, 2008**

Number of Students by Semester

Type of Student	Fall 2007	Spring 2008	Summer Term 2008	
			First	Second
Texas Resident	25,137	23,086	7,983	6,608
Blind/Deaf	4	2	1	1
Competitive Scholarship	8	9	4	4
Dependents	2	1	0	1
Faculty/Staff	20	14	7	8
Foreign	1,548	1,475	744	681
Good Neighbor	0	0	0	0
Hazelwood	6	5	1	0
Independent Study	5	5	2	1
Military	0	0	1	1
Nursing	26	21	0	1
Out-of-State	1,475	1,365	492	427
Teaching/Research Assistant	24	23	7	10
Valedictorian	3	3	1	1
Other	2	3	2	1
Totals	28,260	26,012	9,245	7,745

Enrollment Trend Data (Fall Semester)

<u>Term</u>	<u>Students</u>	<u>Semester Hours</u>
Fall 2007	28,260	363,203
Fall 2006	27,996	360,877
Fall 2005	28,001	357,931
Fall 2004	28,325	360,475
Fall 2003	28,549	359,863
Fall 2002	27,569	343,394
Fall 2001	25,573	321,249
Fall 2000	24,558	310,112
Fall 1999	24,249	305,212
Fall 1998	24,158	305,338
Fall 1997	25,022	314,142
Fall 1996	24,717	310,783
Fall 1995	24,185	302,955
Fall 1994	24,083	297,569
Fall 1993	24,007	294,897
Fall 1992	24,215	299,015
Fall 1991	24,707	304,446

FINANCIAL STATEMENTS

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2008

ASSETS

Current Assets:	
Cash and Cash Equivalents (Note 1)	\$ 175,163,585.87
Restricted:	
Cash and Cash Equivalents (Note 1)	52,963,771.39
Legislative Appropriations	49,091,779.87
Accounts Receivable, net:	
Federal Receivables	7,689,527.09
Interest and Dividends	911,332.58
Student Receivables	973,971.78
Gift Receivables	6,712,494.29
Accounts Receivable	10,180,866.18
Other Receivables	5,660,724.52
Due From Other Agencies (Note 8)	2,039,140.92
Prepaid Expenses	22,530,707.59
Consumable Inventories	637,931.19
Merchandise Inventories	2,619,479.47
Loans and Notes Receivable, net	1,353,836.11
Other Current Assets	310,825.00
Total Current Assets	<u>338,839,973.85</u>
Non-Current Assets:	
Restricted:	
Cash and Cash Equivalents (Note 1)	21,392,019.15
Investments (Note 3)	161,476,304.19
Gift Receivables	12,478,407.10
Loans and Notes Receivable, net	665,793.81
Investments (Note 3)	97,128,589.31
Capital Assets (Note 2)	
Non-Depreciable	117,399,053.93
Depreciable	1,097,652,195.06
Accumulated Depreciation	<u>(549,889,141.42)</u>
Total Non-Current Assets	<u>958,303,221.13</u>
Total Assets	<u>\$ 1,297,143,194.98</u>

LIABILITIES

Current Liabilities:	
Accounts Payable	\$ 26,152,316.02
Payroll Payable	21,401,358.48
Deferred Revenues	97,030,773.11
Interfund Payable (Note 8)	344,045.42
Employees' Compensable Leave (Note 5)	2,883,443.08
Notes and Loans Payable (Note 5)	47,853,764.32
Bonds Payable (Note 5)	13,946,709.55
Funds Held for Others	13,403,870.80
Other Current Liabilities	16,862,634.31
Total Current Liabilities	<u>239,878,915.09</u>

Texas Tech University
Statement of Net Assets (Unaudited)
August 31, 2008

Non-Current Liabilities:

Interfund Payable (Note 8)	259,700.40
Employees' Compensable Leave (Note 5)	8,650,329.25
Bonds Payable (Note 5)	254,123,741.25
Other Non-Current Liabilities	285,133.10
Total Non-Current Liabilities	263,318,904.00
Total Liabilities	\$ 503,197,819.09

NET ASSETS

Invested in Capital Assets, Net of Related Debt	352,061,956.89
Restricted:	
Nonexpendable:	
Endowments	85,498,074.81
Expendable:	
Capital Projects	22,236,840.38
Higher Education Assistance Fund	31,611,302.72
Debt Service	19,113,182.71
Other	59,098,601.98
Unrestricted (Note 1)	224,325,416.40
Total Net Assets	793,945,375.89
Total Liabilities and Net Assets	\$ 1,297,143,194.98

See Accompanying Notes to the Financial Statements

Texas Tech University
Statement of Revenues, Expenses, and Changes in Net Assets (Unaudited)
For the Year Ended August 31, 2008

Operating Revenues	
Tuition and Fees	\$ 23,192,062.37
Tuition and Fees - Pledged	190,545,078.11
Less Discounts and Allowances	(24,469,569.31)
Sales and Services of Auxiliary Enterprises - Pledged	80,191,438.34
Other Sales and Services	2,172,986.32
Other Sales and Services - Pledged	11,833,897.71
Federal Grants and Contracts (Schedule 1A)	26,526,575.58
Federal Grant Pass-Throughs (Schedule 1A)	3,243,111.80
State Grants and Contracts	6,436,643.68
State Grant Pass-Throughs (Schedule 1B)	14,134,450.66
Local Governmental Grants and Contracts	365,369.73
Nongovernmental Grants and Contracts	9,801,754.23
Total Operating Revenues	<u>343,973,799.22</u>
Operating Expenses	
Instruction	172,560,229.82
Research	42,093,729.59
Public Service	9,572,629.12
Academic Support	52,004,577.34
Student Services	30,633,173.48
Institutional Support	43,685,216.35
Operations and Maintenance of Plant	37,159,411.10
Scholarships and Fellowships	26,884,386.03
Auxiliary Enterprises	88,370,360.10
Depreciation and Amortization	40,399,164.58
Total Operating Expenses	<u>543,362,877.51</u>
Operating Income (Loss)	<u>(199,389,078.29)</u>
Nonoperating Revenues (Expenses)	
Legislative Revenue	167,671,920.74
Federal Grants and Contracts (Schedule 1A)	15,488,900.62
Private Gifts	4,053,536.55
Private Gifts - Pledged	3,726,664.00
Investment Income	1,681,606.89
Investment Income - Pledged	15,856,647.21
Interest Expense on Capital Asset Financing	(13,308,296.84)
Loss on Sale and Disposal of Capital Assets	(1,178,802.08)
Net Decrease in Fair Value of Investments	(9,696,744.24)
Other Nonoperating Revenues (Expenses)	74,111.00
Other Nonoperating Revenues (Expenses) - Pledged	21,126,992.65
Total Nonoperating Revenues (Expenses)	<u>205,496,536.50</u>
Income (Loss) Before Other Revenues, Expenses, Gains, Losses, and Transfers	6,107,458.21
Other Revenues, Expenses, Gains, Losses, and Transfers	
Capital Appropriations (HEAF)	26,829,477.00
Capital Contributions	21,799.00
Additions to Permanent Endowments	2,719,030.51
Increase Net Assets - Interagency Transfer Capital Assets (Note 8)	551,044.56
Legislative Transfer Out to TTU System Administration (Note 8)	(2,514,201.00)
Net Transfers to TTU Health Sciences Center	(1,227,415.62)
Net Transfers to TTU System Administration	(1,952,869.95)
Transfers to Other State Agencies (Note 8)	(1,683,116.19)
Net Other Revenues, Expenses, Gains, Losses, and Transfers	<u>22,743,748.31</u>
TOTAL CHANGES IN NET ASSETS	<u>\$ 28,851,206.52</u>
Beginning Net Assets (September 1, 2007)	765,094,169.37
Ending Net Assets (August 31, 2008)	<u>\$ 793,945,375.89</u>

See Accompanying Notes to the Financial Statements

UNAUDITED

Texas Tech University
Matrix of Operating Expenses by Natural Classification
For the Year Ended August 31, 2008

Function	Salaries and Wages	Payroll Related Costs	Professional Fees and Services	Travel	Materials and Supplies
Instruction	\$ 124,302,417.66	\$ 29,315,319.19	\$ 812,813.91	\$ 1,861,251.96	\$ 5,236,368.89
Research	23,442,175.42	4,484,218.04	556,103.97	2,014,840.57	5,670,093.15
Public Service	4,654,952.54	1,094,458.57	169,602.59	257,380.32	684,725.86
Academic Support	27,559,134.26	6,430,104.34	371,029.07	1,453,364.97	3,763,401.84
Student Services	12,730,808.42	3,039,589.36	350,397.11	859,762.38	1,772,327.03
Institutional Support	24,568,150.49	7,168,577.94	803,463.15	394,831.69	1,664,471.70
Operation and Maintenance of Plant	6,539,322.23	1,569,419.51	69,127.71	21,418.77	2,516,710.89
Scholarships and Fellowships	53,115.38	3,449.43			420.69
Auxiliary Enterprises	30,678,345.04	7,270,887.96	394,016.60	949,644.81	5,469,831.88
Depreciation and Amortization					
Total Operating Expenses	\$ 254,528,421.44	\$ 60,376,024.34	\$ 3,526,554.11	\$ 7,812,495.47	\$ 26,778,351.93

Function	Communications and Utilities	Repairs and Maintenance	Rentals and Leases	Printing and Reproduction	Depreciation and Amortization
Instruction	\$ 1,013,037.26	\$ 662,004.59	\$ 851,695.20	\$ 777,547.19	\$
Research	178,640.30	477,709.70	346,623.66	471,066.90	
Public Service	203,822.57	135,140.46	268,665.75	172,514.37	
Academic Support	2,024,709.48	783,470.66	1,260,351.40	576,827.58	
Student Services	578,688.81	480,750.35	343,963.94	1,367,465.38	
Institutional Support	1,047,200.29	4,909,881.96	2,226,969.92	794,985.75	
Operation and Maintenance of Plant	15,335,029.88	7,676,098.62	37,785.68	8,586.17	
Scholarships and Fellowships					
Auxiliary Enterprises	9,233,992.41	3,914,817.07	1,157,406.12	800,153.31	
Depreciation and Amortization					40,399,164.58
Total Operating Expenses	\$ 29,615,121.00	\$ 19,039,873.41	\$ 6,493,461.67	\$ 4,969,146.65	\$ 40,399,164.58

Function	Scholarships	Other Operating	Grand Total
Instruction	\$ 2,325,050.24	\$ 5,402,723.73	\$ 172,560,229.82
Research	1,458,567.46	2,993,690.42	42,093,729.59
Public Service	36,818.09	1,894,548.00	9,572,629.12
Academic Support	468,723.76	7,313,459.98	52,004,577.34
Student Services	382,922.08	8,726,498.62	30,633,173.48
Institutional Support	107,937.18	(1,253.72)	43,685,216.35
Operation and Maintenance of Plant		3,385,911.64	37,159,411.10
Scholarships and Fellowships	26,826,435.53	965.00	26,884,386.03
Auxiliary Enterprises	4,417,675.93	24,083,588.97	88,370,360.10
Depreciation and Amortization			40,399,164.58
Total Operating Expenses	\$ 36,024,130.27	\$ 53,800,132.64	\$ 543,362,877.51

Texas Tech University
Statement of Cash Flows (Unaudited)
For the Year Ended August 31, 2008

Cash Flows from Operating Activities

Tuition and Fees	\$ 181,128,596.22
Grants and Contracts	59,168,334.15
Sales and Services of Auxiliary Enterprises	83,281,009.23
Other Sales and Services	10,730,520.79
Payments to Suppliers	(51,238,586.71)
Payments to Employees	(252,601,042.52)
Payments for Other Operating Activities	(202,999,477.01)
Net Cash Used By Operating Activities	<u>(172,530,645.85)</u>

Cash Flows from Noncapital Financing Activities

State Appropriations	152,735,328.34
Noncapital Gifts	16,169,604.17
Grants and Contracts	15,488,900.62
Payments to Other Components	(5,694,486.57)
Transfers Out to Other State Agencies	(1,683,116.19)
Proceeds from Agency Transactions	745,287.33
Other Noncapital Financing Activities	21,219,189.25
Net Cash Provided by Noncapital Financing Activities	<u>198,980,706.95</u>

Cash Flows from Capital and Related Financing Activities

Proceeds from Capital Debt Issuance	17,606,000.00
Capital Appropriations	22,432,361.23
Capital Contributions	21,799.00
Transfers In from Component	728,182.00
Transfer Out to Component	(47,417.68)
Purchases of Capital Assets	(54,609,620.89)
Principal Paid on Capital Debt	(18,379,377.26)
Interest Paid on Capital Debt	(13,978,511.99)
Net Cash Used by Capital and Related Financing Activities	<u>(46,226,585.59)</u>

Cash Flows from Investing Activities

Proceeds from Investment Sales and Maturities	81,458,099.48
Interest and Dividends Received	8,211,887.32
Purchases of Investments	(21,545,441.86)
Net Cash Provided by Investing Activities	<u>68,124,544.94</u>

TOTAL NET CASH FLOWS \$ 48,348,020.45

Beginning Cash & Cash Equivalents - September 1, 2007 201,171,355.96

Ending Cash & Cash Equivalents - August 31, 2008 \$ 249,519,376.41

Reconciliation of Operating Loss to Net Cash Flows from Operating Activities

Operating Loss	(199,389,078.29)
Adjustments:	
Depreciation Expense	40,399,164.58
(Increase) Decrease in Accounts Receivables	(4,490,291.45)
(Increase) Decrease in Loans and Notes Receivable	603,766.85
(Increase) Decrease in Inventory	(451,214.72)
(Increase) Decrease in Prepaid Expenses	(5,303,607.41)
(Increase) Decrease in Due From Other Agencies	(430,761.56)
(Increase) Decrease in Other Assets	(100,000.00)
Increase (Decrease) in Accounts Payables	(1,314,688.25)
Increase (Decrease) in Payroll Payables	1,927,378.92
Increase (Decrease) in Deferred Revenue	(4,743,331.82)
Increase (Decrease) in Compensable Leave	478,109.74
Increase (Decrease) in Other Liabilities	283,907.56
Net Cash Used for Operating Activities	<u>(172,530,645.85)</u>

POLICIES AND NOTES

TEXAS TECH UNIVERSITY**Notes to the Financial Statements****Note 1: Summary of Significant Accounting Policies****Reporting Entity**

Texas Tech University is an agency of the State of Texas and its financial records comply with state statutes and regulations. This includes compliance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements for State Agencies.

Texas Tech University is one of the three components of the Texas Tech University System. The other two components, reported separately, are Texas Tech University Health Sciences Center and the Texas Tech University System Administration. Texas Tech University includes within this report all components as determined by an analysis of their relationship to Texas Tech University as listed below.

Blended Component Units

Texas Tech Foundation, Inc. is a component unit of the consolidated Texas Tech University System since it serves the fundraising needs of Texas Tech University, Texas Tech University Health Sciences Center and Texas Tech University System Administration. No balances or activities associated with Texas Tech Foundation, Inc. are included in this Annual Financial Report.

Due to the significant changes related to Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Comptroller of Public Accounts does not require the accompanying annual financial statements to be in compliance with generally accepted accounting principles (GAAP). The financial report will be considered for audit by the State Auditor as part of the audit of the State of Texas Comprehensive Annual Financial Report; therefore, an opinion has not been expressed on the financial statements and related information contained in this report.

Basis of Accounting

The accounting records of Texas Tech University are maintained using a modified accrual basis of accounting. Accounting data for most external reports, including this Annual Financial Report, are converted to full accrual basis of accounting in compliance with GASB Statements 34 and 35. For financial reporting purposes, Texas Tech University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred.

Cash and Cash Equivalents

For the purpose of financial statement reporting, cash equivalents are short-term highly liquid investments with an original maturity of three months or less. Included in this category are demand deposits in banks, local funds held by the state, state reimbursements in transit, repurchase agreements, TexPool and TexStar investments.

The University records and reports its deposits in the general deposit account at cost. It records and reports its special deposit accounts at fair value. Investment pool cash equivalents are recorded at fair value.

Texas Tech University – Notes to the Financial Statements (continued)**Cash and Cash Equivalents as reported on the Statement of Net Assets**

	Current Unrestricted	Current Restricted	Non-Current Restricted	Total
Cash on Hand	\$141,576.00	\$345.00		\$141,921.00
Cash in Bank	(494,110.44)	(242,979.41)	(71,537.69)	(808,627.54)
Cash in State Treasury	32,895,957.42			32,895,957.42
Reimbursement Due From Treasury	25,820.66			25,820.66
Repurchase Agreements	14,519,296.97	5,328,845.49	1,586,140.42	21,434,282.88
TexPool & TexStar Investments	128,075,045.26	47,877,560.31	19,877,416.42	195,830,021.99
Total Cash and Cash Equivalents	\$175,163,585.87	\$52,963,771.39	\$21,392,019.15	\$249,519,376.41

Investments

Texas Tech University accounts for its investments at fair market value, as determined by quoted market prices, in accordance with GASB Statement No. 31 – *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of the investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

Restricted Assets

Restricted assets include monies or other resources restricted by legal or contractual requirements. These assets include proceeds of revenue bonds and revenues set aside for statutory or contractual requirements.

Inventories

Inventories include both merchandise inventories on hand for sale and consumable inventories such as maintenance supplies, housing supplies, janitorial supplies, office supplies, and telecommunications supplies. Inventories are valued at cost, generally utilizing the last-in, first-out method.

Receivables

Accounts receivable consist of tuition and fees charges to students and auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts.

Federal receivable includes amounts due from the federal, state, and local governments or private sources, in connection with reimbursement of allowable expenditures disbursed by the University's grants and contracts department.

Gift receivables are accounted for at their estimated net realizable value. The estimated net realizable value consists of the present value of long-term pledges and a reduction for any allowance for uncollectible pledges. Pledges vary from one to ten years and are used to support specifically identified University programs and initiatives.

Interest and income receivable consists of amounts due from investment holdings, cash management pools, and cash invested in various short-term investment items.

Other receivables include year-end revenue accruals not included in any other receivable category.

Texas Tech University – Notes to the Financial Statements (continued)**Prepaid Expenses**

Disbursements for insurances, subscriptions, prepaid postage, prepaid travel costs and similar services paid in the current or prior fiscal years and benefiting more than one accounting period are allocated among accounting periods.

Loans and Notes Receivable

These receivables are student loans receivable that consist of amounts due from the Federal Perkins Loan Program, and from other loans administered by the University.

Capital Assets

Furniture, equipment, and vehicles with a cost of more than \$5,000 and an estimated useful life in excess of one year are capitalized. Capitalization thresholds for buildings, building improvements, facilities and other improvements are \$100,000. The capitalization threshold for infrastructure is \$500,000. These assets are capitalized at cost. Donated assets are reported at fair market value as of the acquisition date. Routine repairs and maintenance and capital assets acquired for less than the threshold amounts are charges to operating expenses in the year in which the expense was incurred. Depreciation is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting System (SPA). Assets are depreciated over the estimated useful life of the asset using the straight-line method.

Accounts Payable and Accrued Liabilities

Accounts Payable represents the liability for the value of assets or services received at the balance sheet date for which payment is pending.

Deferred Revenues

Deferred Revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Employees' Compensable Leave Balances

Employees' Compensable Leave payable balances represent the liability that becomes "due" upon the occurrence of relevant events such as resignations, retirements, and uses of leave balances by covered employees. Liabilities are reported separately as either current or noncurrent in the statement of net assets.

Notes and Loans Payable

Notes payable represents amounts owed for commercial paper that was issued during the current accounting period. Notes and loans payable are further explained in Note 5.

Bonds Payable

Texas Tech University has a number of bond issues outstanding, most of which are supported either directly or indirectly by tuition revenue. Bonds payable are addressed in more detail in Note 13.

Funds Held for Others

Current balances in funds held for others result from the University acting as an agent or fiduciary for students and student organizations.

Texas Tech University – Notes to the Financial Statements (continued)**Interfund Payable**

Interfund payables are resources payable to other state agencies for Lone Star that assisted the University with utility costs. This payable is further explained in Note 8.

Net Assets

Net Assets are the difference between fund assets and liabilities. They are presented in three separate classes: Invested in Capital Assets – Net of Related Debt, Restricted and Unrestricted.

Invested in Capital Assets, Net of Related Debt

Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets

Restricted net assets result when constraints placed on net asset use are either externally imposed by a party external to the University such as creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets

Unrestricted net assets consist of net assets, which do not meet the definition of restricted net assets. Unrestricted net assets often have constraints on resources, which are imposed by management, but can be moved or modified.

Unrestricted Net Assets as reported on the Statement of Net Assets

Reserved for:	
Encumbrances	\$10,856,455.57
Accounts Receivable	11,109,270.22
Inventory	3,257,410.66
FMV Adjustment	13,392.97
Prepaid Expenses	8,111,397.42
Imprest Funds	238,161.07
Balances Subject to Reappropriation	848,372.17
Future Operating Budgets	92,822,965.42
Service Department Operating Funds	16,183,797.68
Student Service Fees	1,039,870.45
Funds Functioning as Endowments	71,826,651.99
Unreserved	<u>8,017,670.78</u>
Total Unrestricted Net Assets	<u>\$224,325,416.40</u>

Interfund Activity and Transactions

Texas Tech University is regularly involved in both interfund activity and interfund transactions. Interfund activity is defined as financial interaction between internal funds, including blended component units. Interfund transactions are defined as financial transactions between legally separate entities. Interfund activity and interfund transactions are both clearly identifiable and are eliminated where appropriate.

UNAUDITED

Texas Tech University – Notes to the Financial Statements (continued)

Note 2: Capital Assets

Depreciation of capital assets is recorded as a periodic expense and accumulated as an offset to the asset book values. Depreciation of capital assets is based on allocation methods and estimated lives prescribed by the Statewide Property Accounting (SPA) system. Accumulated depreciation is classified by capital asset category, providing for an estimation of the net book value of each asset category.

Capital assets are categorized as either (1) Land and Land Improvements, (2) Buildings and Building Improvements, (3) Infrastructure, (4) Furniture and Equipment, (5) Vehicles, Boats and Aircraft, (6) Construction in Progress, (7) Other Capital Assets, or (8) Facilities and Other Improvements. The changes to fixed asset balances are summarized below.

Business-type Activities:	Balance 09/01/07	Adjustments	Completed CIP	Increase Int'gy Trans	Decrease Int'gy Trans	Additions	Deletions	Balance 08/31/08
Non-depreciable Assets:								
Land and Land Improvements	\$3,724,592.94							\$3,724,592.94
Construction In Progress	56,991,218.75					9,840,937.13		66,832,155.88
Other Capital Assets	45,718,559.51					1,123,745.60		46,842,305.11
Total Non-Depreciable Assets	106,434,371.20					10,964,682.73		117,399,053.93
Depreciable Assets:								
Buildings and Improvements	689,568,451.84	(1,006.47)				19,240,100.62		708,807,545.99
Infrastructure	24,877,595.65					593,703.40		25,471,299.05
Facilities & Other Improvements	135,509,777.54	(92.85)				3,210,488.25		138,720,172.94
Furniture & Equipment	112,030,055.70			589,938.93	(28,039.50)	12,332,866.83	(3,884,235.14)	121,040,586.82
Vehicles, Boats and Aircraft	10,086,612.20					1,709,688.26	(458,884.24)	11,337,416.22
Other Capital Assets	86,968,747.95	(862,079.00)				6,168,505.09		92,275,174.04
Total Depreciable Assets at Historical Costs	1,059,041,240.88	(863,178.32)		589,938.93	(28,039.50)	43,255,352.45	(4,343,119.38)	1,097,652,195.06
Less Accumulated Depreciation for:								
Buildings and Improvements	(378,912,902.55)					(16,928,837.00)		(395,841,739.55)
Infrastructure	(5,262,549.77)					(915,678.24)		(6,178,228.01)
Facilities & Other Improvements	(29,957,915.67)					(5,832,153.72)		(35,790,069.39)
Furniture & Equipment	(74,927,774.58)			(38,894.37)	28,039.50	(10,256,207.93)	3,568,175.40	(81,626,661.98)
Vehicles, Boats And Aircraft	(6,665,835.15)					(837,322.92)	443,820.33	(7,059,337.74)
Other Capital Assets	(17,764,139.98)					(5,628,964.77)		(23,393,104.75)
Total Accumulated Depreciation	(513,491,117.70)			(38,894.37)	28,039.50	(40,399,164.58)	4,011,995.73	(549,889,141.42)
Depreciable Assets, Net	545,550,123.18	(863,178.32)	0.00	551,044.56	0.00	2,856,187.87	(331,123.65)	547,763,053.64
Business-type Capital Assets, net:	\$651,984,494.38	\$(863,178.32)	\$0.00	\$551,044.56	\$0.00	\$13,820,870.60	\$(331,123.65)	\$665,162,107.57

Texas Tech University – Notes to the Financial Statements (continued)**Note 3: Deposits, Investments, and Repurchase Agreements**

Texas Tech University's investment portfolio is invested pursuant to the parameters of applicable Texas law and the governing board's Investment Policies. Under Texas law, Texas Tech University investments may be "any kind of investment that persons of ordinary prudence, discretion, and intelligence, exercising the judgment and care under the circumstances then prevailing, acquire or retain for their own account in the management of their affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital." Under Texas law, Texas Tech University is required to invest its institutional funds according to written investment policies adopted by the Board of Regents. No person may invest Texas Tech University funds without express written authority from the governing board.

The governing investment policy is Regents' Rules Chapter 09, "Investment, Endowments, and Income Producing Lands." The majority of Texas Tech University assets are invested in two investment pools; the Long Term Investment Fund (LTIF) and the Short/Intermediate Term Investment Fund (STIF). Endowment funds and certain eligible long-term institutional funds are invested in the LTIF, which invests in equity and fixed income securities and is operated using total return philosophy. Other institutional funds not in the LTIF are invested in the STIF, which is a fixed income fund. Other assets include securities gifted to Texas Tech University with written donor instructions to maintain in their original form, and bond proceeds invested in external investment pools.

Deposits of Cash in Bank

As of August 31, 2008, the carrying amount of deposits was \$(808,627.54) as presented below:

Enterprise Funds

CASH IN BANK – CARRYING AMOUNT	\$ (808,627.54)
Less: Certificates of Deposit including in carrying amount and reported as Cash Equivalent	0
Less: Uninvested Securities Lending Cash Collateral including in carrying value and reported as Securities Lending Collateral	0
Less: Securities Lending CD Collateral including in carrying value and reported as Securities Lending Collateral	0
Cash in Bank per AFR	<u>\$ (808,627.54)</u>
Enterprise Funds Current Assets Cash in Bank	\$ (494,110.44)
Enterprise Funds Current Assets Restricted Cash in Bank	(242,979.41)
Enterprise Funds Non-Current Assets Restricted Cash in Bank	(71,537.69)
Cash in Bank per AFR	<u>\$ (808,627.54)</u>

These amounts consist of all cash in local banks and are included on the Statement of Net Assets as part of current unrestricted and restricted "Cash and Cash Equivalents" and non-current restricted "Cash and Cash Equivalents".

As of August 31, 2008, the total bank balance for Enterprise Funds was \$71,414.03.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The University's policy is to require collateralization of bank balances in excess of FDIC protection. The balance below was transferred to the University's primary depository, which has sufficient collateral after fiscal year-end.

Texas Tech University – Notes to the Financial Statements (continued)

Fund Type	GAAP Fund	Uninsured and uncollateralized	Uninsured and collateralized with securities held by the pledging financial institution	Uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the state's name
05	9999	\$0		

Investments

As of August 31, 2008, the fair value of investments is as presented below.

Type of Security	Fair Value
Enterprise Funds	
U.S. Government	
U.S. Treasury Securities	\$21,114.85
U.S. Government Agency Obligations (Ginnie Mae, Fannie Mae, Freddie Mac, Sallie Mae, etc.)	81,659,897.31
Equity	12,982,839.77
International Equity	25,884,278.67
Repurchase Agreement	21,434,282.88
Fixed Income Money Market and Bond Mutual Fund	38,840,813.45
Other Commingled Funds	21,975,862.66
Other Commingled Funds (Texpool)	194,874,740.74
Alternative Investments	76,940,024.10
Misc. (limited partnerships, guaranteed investment Contract, political subdivision, banker's acceptance, negotiable CD)	1,255,343.94
Total Investments	<u>\$475,869,198.37</u>
Non-Current Investments	\$258,604,893.50
Items in Cash and Cash Equivalents:	
Repurchase Agreements	21,434,282.88
TexPool & TexStar Investments	<u>195,830,021.99</u>
Total	<u>\$475,869,198.37</u>

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the agency will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The University's investment policy is to require third party custody for the two investment pools, the LTIF and the STIF. The balances listed below relate to the securities outside of those pools.

Fund Type	GAAP Fund	Type	Uninsured and unregistered with securities held by the counterparty	Uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the state's name
05	9999	Equity	\$79,695.19	

Texas Tech University – Notes to the Financial Statements (continued)

Foreign currency risk for investments is the risk that changes in exchange rates will adversely affect the investment. The University's policy is to limit international equity investments to between 10-30% of the LTIF portfolio. The exposure to foreign currency risk as of August 31, 2008, is as follows.

Fund Type	GAAP Fund	Foreign Currency	International Obligation	International Equity
05	9999	Argentine peso		33,846.33
05	9999	Australian dollar		471,375.45
05	9999	Bermudan dollar		74,501.08
05	9999	Brazilian real		1,236,083.04
05	9999	Canadian dollar		160,052.32
05	9999	Cayman dollar		4,721.90
05	9999	Chilean Peso		11,282.11
05	9999	Chinese yuan		520,865.39
05	9999	Czech koruna		33,846.33
05	9999	Danish krone		243,551.24
05	9999	Egyptian pound		45,128.44
05	9999	Euro		6,077,948.85
05	9999	Hong Kong dollar		653,278.74
05	9999	Hungarian forint		152,308.49
05	9999	Indian rupee		249,418.76
05	9999	Indonesian rupiah		39,487.39
05	9999	Israeli shekel		321,984.08
05	9999	Japanese yen		4,317,952.41
05	9999	Malaysian ringgit		151,198.43
05	9999	Mexican peso		198,232.53
05	9999	Moroccan dirham		11,282.11
05	9999	New Zealand dollar		10,181.77
05	9999	Norwegian krone		198,390.92
05	9999	Pakistani rupee		33,846.33
05	9999	Phillippino peso		50,769.50
05	9999	Polish zloty		62,051.61
05	9999	Pound sterling		4,512,728.28
05	9999	Russian ruble		552,823.40
05	9999	Singapore dollar		544,684.33
05	9999	South African rand		276,411.70
05	9999	Korean won		1,290,470.28
05	9999	Swedish krona		307,926.58
05	9999	Swiss franc		1,444,070.31
05	9999	Taiwan dollar		760,243.72
05	9999	Thai baht		415,021.68
05	9999	Turkish lira		416,312.84
		Total		\$25,884,278.67

Texas Tech University – Notes to the Financial Statements (continued)

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's investment policy limits fixed income securities held by the STIF to those issued by the U.S. or its agencies and instrumentalities. Fixed income mutual funds in the STIF must hold securities that are at least rated investment grade. As of August 31, 2008, the University's credit quality distribution for securities with credit risk exposure was as follows.

Standard & Poor's

Fund Type	GAAP Fund	Investment Type	AAA	AA	A	BB	Unrated
05	9999	U.S. Government Agency Obligations	\$81,659,897.31				
05	9999	Repurchase Agreement	\$21,434,282.88				
			AAAf	AAf	Af	Unrated	
05	9999	Fixed Income Money Market and Bond Mutual Fund					\$38,840,813.45

Derivative Investing

The University holds collateralized mortgage obligations. These securities were purchased to provide an incremental yield above that available on corporate securities with similar terms. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the fair value. It is estimated these securities, along with other securities held by the University, will provide future cash inflows on a time schedule that approximately matches the outflows associated with the University's liabilities. These securities are rated AAA by the major rating agencies.

Note 4: Short-Term Debt

Texas Tech University has no outstanding short-term debt as of August 31, 2008.

Note 5: Summary of Long-Term Liabilities

Changes in Long-Term Liabilities

During the year ended August 31, 2008, the following changes occurred in liabilities.

Long-Term Liability Category	Balance 09/01/07	Increases	Decreases	Balance 08/31/08	Current Portion
Notes and Loans	\$34,949,000.00	\$18,334,182.00	\$5,429,417.68	\$47,853,764.32	\$47,853,764.32
Revenue Bonds	281,403,000.06		13,332,549.26	268,070,450.80	13,946,709.55
Compensable Leave	11,055,662.59	478,109.74		11,533,772.33	2,883,443.08
Total	\$327,407,662.65	\$18,812,291.74	\$18,761,966.94	\$327,457,987.45	\$64,683,916.95

Texas Tech University – Notes to the Financial Statements (continued)

Employees’ Compensable Leave

A state employee is entitled to be paid for all unused vacation time accrued, in the event of the employee’s resignation, dismissal, or separation from State employment, provided the employee has had continuous employment with the State for six months. Under state law, the hours accumulated are capped depending on the employees’ length of service. Expenditures for accumulated annual leave balances are recognized in the period paid or taken. The liability for unpaid benefits is recorded in the Statement of Net Assets. No liability is recorded for non-vesting accumulating rights to receive sick pay benefits. This obligation is paid from a central vacation pool account which collects the funding from the same funding source(s) from which the employee’s salary or wage compensation was paid.

Bonds Payable

See Note 13 for detailed information on bond liability balances and transactions.

Notes and Loans Payable

Commercial paper was issued during the fiscal year to finance various construction and equipment projects. Debt service for the obligation is provided in general appropriation for tuition revenue bonds and revenue from various projects. All commercial paper outstanding at 8/31/08 will mature in fiscal year 2009. Commercial paper has short maturities up to 270 days with interest rates ranging from 1.10% to 3.95% in fiscal year 2008.

Summary of Debt Service Requirements for Notes Payable

Fiscal Year	Principal	Interest	Total
2009	\$47,853,764.32	\$185,046.15	\$48,038,810.47
2010			
2011			
2012			
2013			
All Other Years			
Total Requirements	\$47,853,764.32	\$185,046.15	\$48,038,810.47

Note 6: Capital Leases

Texas Tech University has no outstanding capital leases as of August 31, 2008.

Note 7: Operating Leases

Future minimum lease rental payments under non-cancelable operating leases having an initial term in excess of one year are as follows:

<u>Fiscal Year</u>	
2009	\$40,975.00
Total Minimum Future Lease Rental Payments	\$40,975.00

Note 8: Interfund Balances/Activities

As explained in Note 1 on interfund activities and transactions, there are numerous transactions between funds and agencies. At year-end, amounts to be received or paid are reported as:

- Interfund Receivables or Interfund Payables
- Due from Other Agencies or Due to Other Agencies
- Transfers In or Transfers Out
- Legislative Transfers In or Legislative Transfers Out

Texas Tech University – Notes to the Financial Statements (continued)

The agency experienced routine transfers with other state agencies, which were consistent with the activities of the fund making the transfer. Repayment of interfund balances will occur within one year from the date of the financial statement.

Individual balances and activity at August 31, 2008, follows:

<u>Current Interfund Payable</u>	<u>Amount</u>	<u>Purpose</u>
Agency 907, D23 Fund 0515	<u>\$344,045.42</u>	Lonestar
Total Interfund Payable	<u><u>\$344,045.42</u></u>	

<u>Noncurrent Interfund Payable</u>	<u>Amount</u>	<u>Purpose</u>
Agency 907, D23 Fund 0515 - Lonestar	<u>\$259,700.40</u>	Lonestar
Total Interfund Payable	<u><u>\$259,700.40</u></u>	

<u>Due from Other Agencies</u>	<u>Current Due from Other Agencies</u>
Texas Education Agency (Agency 701)	\$288,540.84
Texas School for the Blind (Agency 771)	55,867.73
Texas Water Development Board (Agency 580)	221,221.59
Texas State Energy Conservation Office (Agency 907)	21,904.56
Texas Commission on Environmental Quality (Agency 582)	17,937.01
Office of the Governor (Agency 300)	701,684.18
Texas Parks Wildlife (Agency 802)	21,047.29
Texas Workforce Commission (Agency 320)	162,493.79
Texas Tech University Health Sciences Center (Agency 739)	158,485.31
Texas Department of Transportation (Agency 601)	62,112.07
Texas Higher Education Coordinating Board (Agency 781)	<u>327,846.55</u>
Total Due from Other Agencies	<u><u>\$2,039,140.92</u></u>

<u>Legislative Transfer Out</u>	<u>Amount</u>
Texas Tech University System Administration (Agency 768)	<u>\$2,514,201.00</u>
Total Legislative Transfer Out	<u><u>\$2,514,201.00</u></u>

<u>Transfers to Other State Agencies</u>	<u>Amount</u>
Texas Higher Education Coordinating Board (Agency 781)	<u>\$1,683,116.19</u>
Total Transfers to Other Agencies	<u><u>\$1,683,116.19</u></u>

Texas Tech University – Notes to the Financial Statements (continued)

<u>Interagency Transfers Capital Assets</u>	<u>Amount</u>
Texas Tech University Health Sciences Center (Agency 739)	<u>\$551,044.56</u>
Total Interagency Transfers Capital Assets	<u><u>\$551,044.56</u></u>

The detailed State Grant Pass-Through information is listed on Schedule 1B – Schedule of State Grant Pass-Throughs from/to State Agencies.

Note 9: Contingent Liabilities

At August 31, 2008, other lawsuits and claims involving Texas Tech University were pending. While the ultimate liability with respect to litigation and other claims asserted against the University cannot be precisely estimated at this time, such liability, to the extent not provided for by insurance or otherwise, is in legal counsel's opinion, not likely to have a material effect on the University.

Note 10: Continuance Subject to Review

Texas Tech University is not subject to the Texas Sunset Act.

Note 11: Risk Financing and Related Insurance

Texas Tech University by state law is required to be a participant in the Worker's Compensation Program and Pool managed by the State Office of Risk Management (SORM). The University is assessed fees by SORM based upon claims cost, claim count, payroll and FTE. SORM also determines the methodology for allocation to the major fund groups. The State Office of Risk Management pays all WCI claims. The Worker's Compensation pool for the fiscal year was funded by a .25 percent charge on non-educational and general gross payroll for paying its proportionate share of the SORM assessment.

The University has self-insured arrangements for Unemployment Compensation Fund coverage. The State of Texas pays 50% of claims for employees paid from state funds. The University pays the remainder for employees paid from state funds and 100% of the claims paid for employees from non-state funds. The claims for employees paid from non-state funds are funded by interest earnings on the Unemployment Compensation Fund balance and utilization of fund balance.

The total worker's compensation expense to Texas Tech University for fiscal year ended August 31, 2008 was \$1,115,400.65. The unemployment compensation insurance expense to Texas Tech University for fiscal year ended August 31, 2008 was \$93,331.63. These amounts represent the portion paid by Texas Tech University.

Note 12: Segment Information

Texas Tech University has no reportable segments.

Note 13: Bonded Indebtedness**Bonds Payable**

Several bond issues were outstanding as of August 31, 2008 which are summarized in the paragraphs that follow.

Texas Tech University – Notes to the Financial Statements (continued)**Revenue Financing System Refunding and Improvement Bonds, 6th Series 1999**

Purpose:	Current refunding of a portion of Series A Notes, advance refunding of Revenue Bonds, Series 1995, 1996 and financing of a new English building and other projects
Original Issue Amount:	\$99,467,818; all authorized bonds have been issued
Issue Date:	May 4, 1999
Interest Rates:	4.00% to 5.25%
Maturity Date Range:	1999 through 2029
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$5,041,156.62 retired

Revenue Financing System Bonds, 7th Series 2001

Purpose:	Financing of renovation of Jones Stadium, Student Union and Student Recreational Center, and other projects, current refunding of a portion of Series A Notes, and costs of issuance
Original Issue Amount:	\$107,355,000; all authorized bonds have been issued
Issue Date:	January 23, 2002
Interest Rates:	3.00% to 5.50%
Maturity Date Range:	2002 through 2031
Type of Bond:	Revenue
Changes in Debt:	\$0 issued; \$2,680,000.00 retired

Revenue Financing System Bonds, 8th Series 2001 (Taxable)

Purpose:	Financing of renovation of Jones Stadium and costs of issuance
Original Issue Amount	\$42,810,000; all authorized bonds have been issued
Issue Date	January 23, 2002
Interest Rates	3.46% to 6.75%
Maturity Date Range	2003 through 2031
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$2,190,000.00 retired

Revenue Financing System Refunding and Improvement Bonds, 9th Series 2003

Purpose:	For current refunding of Series A Notes and Series 1993 bonds, for construction of the Experimental Sciences Building and renovation of Horn/Knapp dormitory and other University construction of capital improvement projects
Original Issue Amount	\$32,995,000; all authorized bonds have been issued
Issue Date	September 23, 2003
Interest Rates	2.00% to 5.25%
Maturity Date Range	2004 through 2023
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$1,625,000.00 retired

Texas Tech University – Notes to the Financial Statements (continued)**Revenue Financing System Refunding and Improvement Bonds, 10th Series 2006**

Purpose:	For advanced refunding of Series A Notes and Series 1999 and 2001 bonds, for construction of Murray Hall and renovation of the Student Union Building and various dormitories and other University construction of capital improvement projects
Original Issue Amount	\$161,220,476; all authorized bonds have been issued
Issue Date	February 2, 2006
Interest Rates	4.00% to 5.00%
Maturity Date Range	2007 through 2031
Type of Bond	Revenue
Changes in Debt	\$0 issued; \$1,796,392.64 retired

Sources of Debt-Service Revenue

On October 21, 1993, the governing board of the Texas Tech University System established a Revenue Financing System for the purpose of providing a financing structure for all revenue supported indebtedness of Texas Tech University System components. The source of revenues for debt service issued under the Revenue Financing System includes pledged general tuition, pledged tuition fee, pledged general fee and any other revenues, income, receipts, rentals, rates, charges, fees, including interest or other income, and balances lawfully available to Texas Tech University System components. Excluded from the revenues described above are amounts received under Article 7, Section 17 of the Constitution of the State of Texas, general revenue funds appropriated by the Legislature except to the extent so specifically appropriated, encumbered housing revenues, and practice plan funds.

Note 14: Subsequent Events

Texas Tech University intends to issue revenue financing system bonds during fiscal year 2009 in the amount of approximately \$82 million of which \$14 million of this amount has already been issued as commercial paper as of August 31, 2008.

Note 15: Related Parties – Relationship with Texas Tech University

The Alumni Association provided services on behalf of Texas Tech University for which the University paid \$110,000 during the 2008 fiscal year. These services include public relations and general support of the University through various scholarships and awards.

Note 16: Stewardship, Compliance and Accountability

Texas Tech University has no material stewardship, compliance, and accountability issues.

Note 17: The Financial Reporting Entity and Joint Ventures**The Financial Reporting Entity**

Texas Tech University is an agency of the State of Texas. Texas Tech University has no related organizations or joint ventures or jointly governed organizations.

Note 18: Restatement of Fund Balances and Net Assets

Texas Tech University has no restatement of Fund Balance and Net Assets as of August 31, 2008.

Texas Tech University – Notes to the Financial Statements (continued)**Note 19: Employees Retirement Plans**

The State has established an Optional Retirement Program (ORP) for institutions of higher education. Participation in ORP is in lieu of participation in the Teacher's Retirement System and is available to certain eligible employees. The contributions made by plan members and the employer for the fiscal year ended August 31, 2008 are:

	Year Ended August 31, 2008
Member Contributions	\$6,346,915.35
Employer Contributions	7,048,163.05
Total	\$13,395,078.40

Note 20: Deferred Compensation (administering agencies only)

Not applicable

Note 21: Donor Restricted Endowments

Expenditure of endowed funds is not allowed without the express consent of the donor. Most of Texas Tech's endowments are held in perpetuity. In many cases, endowment earnings are expendable for student financial assistance or other purposes as designated by the donor. In other cases, endowment earnings are reinvested.

Endowment assets are invested predominantly in the Long Term Investment Fund (LTIF). The LTIF has experienced varying performance since its inception. The cumulative effect of valuation changes assignable to endowment fund assets by the University are summarized in the following table:

<u>Donor-Restricted Endowment</u>	<u>Amount of Net Appreciation</u>	<u>Reported in Net Assets</u>
True Endowments	(\$6,933,019.42)	Restricted Nonexpendable
True Endowments	6,652,611.42	Restricted Expendable
Term Endowments	(33,876.72)	Restricted Nonexpendable
Total	<u>(\$314,287.72)</u>	

Note 22: Management Discussion and Analysis (MD&A)

- Net assets increased by \$28 million for the year ended August 31, 2008 primarily due to an increase in state appropriations, tuition and fee revenues, and grants and contracts revenues.
- Capital asset additions totaled \$54 million for the year ended August 31, 2008.

Note 23: Post Employment Health Care and Life Insurance Benefits (UT, A&M, TRS and ERS only)

Not applicable

Note 24: Special and Extraordinary Items

Texas Tech University has no special or extraordinary items for the fiscal year ended August 31, 2008.

Texas Tech University – Notes to the Financial Statements (continued)**Note 25: Disaggregation of Receivable and Payable Balances****Receivables**

Components of receivables as of August 31, 2008 are summarized below.

Type	Net Amount
Federal Receivables	\$7,689,527.09
Interest and Dividends Receivable	911,332.58
Student Receivables	973,971.78
Gift Receivables Current & Non-Current	19,190,901.39
Accounts Receivables	10,180,866.18
Other Receivables	5,660,724.52
Loans and Notes Receivable Current & Non-Current	2,019,629.92
Total Receivables	<u><u>\$46,626,953.46</u></u>

Payables

Components of payables as of August 31, 2008 are summarized below.

Type	Net Amount
Accounts Payable	\$26,152,316.02
Payroll Payable	21,401,358.48
Total Payables	<u><u>\$47,553,674.50</u></u>

Note 26: Termination Benefits

Texas Tech University has no reportable voluntary or involuntary termination benefits as of August 31, 2008.

SCHEDULES

UNAUDITED

Texas Tech University
 Schedule 1A - Schedule of Expenditures of Federal Award:
 For The Year Ended August 31, 2008

Note 1: Non-Monetary Assistance:

The "Donation Of Federal Surplus Personal Property" is presented at 23.3 percent of the original federal acquisition cost of \$62,891. The surplus property is passed through from the Texas Building and Procurement Commission. The federal grantor is the General Services Administration (GSA) and the Federal CFDA number is 39.003. The estimated fair value for fiscal year 2008 is \$14,653.60.

Note 2: Reconciliation:

Federal Grants and Contracts Operating (SRECNA)	\$ 26,526,575.58
Federal Pass-Through Grants from other State Agencies (SRECNA)	3,243,111.80
Federal Grants and Contracts Nonoperating (SRECNA)	<u>15,488,900.62</u>
Total Federal Revenues	<u>45,258,588.00</u>

Reconciling Items:

Non-Monetary Assistance:	
Donation of Federal Surplus Property	14,653.60
New Loans Processed:	
Federal Family Education Loan Program	107,131,856.40
Federal Perkins Loan Program	254,413.00
Pass-Through from Texas A&M Research Foundation	<u>(5,928.24)</u>
Total Pass-Through and Expenditures Per Federal Schedule	<u>\$ 152,653,582.76</u>

Note 3: Student Loans Processed and Administrative Costs Recovered

Federal Grantor/CFDA Number/ Program Name	New Loans Processed	Administrative Costs Recovered	Total Loans Processed and Admin Costs Recovered	Ending Balance Previous Years' Loans
Department Of Education				
84.032 Federal Family Education Loans	\$ 107,131,856.40	\$	\$ 107,131,856.40	\$
84.038 Federal Perkins Loan Program	254,413.00	14,484.02	268,897.02	1,715,844.40
Total Department of Education	<u>\$ 107,386,269.40</u>	<u>\$ 14,484.02</u>	<u>\$ 107,400,753.42</u>	<u>\$ 1,715,844.40</u>

Note 4: Government Publications

The University participates as a depository library in the government printing office's depository libraries for government publications program, CFDA #40.001. The University is the legal custodian of government publications, which remain the property of the federal government. The publications are not assigned a value by the government printing office.

Note 5: Unemployment Insurance Funds

Texas Tech University does not have CFDA 17.225 awards.

Note 6: Agency 501 Only (WIC Program)

Note 7: Federal Deferred Revenue

The deferred revenue of \$595,511.60 is federal grant prepayments that have not yet been earned.

	Balance 9/1/07	Net Change	Balance 8/31/08
10.206	\$	2,098.26	\$ 2,098.26
10.903		1,975.55	1,975.55
11.000	19,750.00	(19,750.00)	
12.000	169,011.63	(134,184.47)	34,827.16
12.431	248,523.58	71,185.00	319,708.58
12.630		919.64	919.64
12.800	79,590.77	2,103.67	81,694.44
12.910		85,046.29	85,046.29
15.000	17,818.74	(17,818.74)	
15.808	2,183.60	(2,183.60)	
15.809	2,000.00	(2,000.00)	
15.812		3,325.39	3,325.39
45.168		5,032.16	5,032.16
47.041		4,865.94	4,865.94
66.513		6,503.28	6,503.28
66.514	72.95	(72.95)	
84.325		23,063.03	23,063.03
93.000		16,429.43	16,429.43
93.399		10,022.45	10,022.45
	<u>\$ 538,951.27</u>	<u>\$ 56,560.33</u>	<u>\$ 595,511.60</u>

UNAUDITED

Texas Tech University
 Schedule 1B - Schedule of State Grant Pass-Throughs From/To State Agencies
 For the Year Ended August 31, 2008

Pass-Throughs From:

<u>Texas Emerging Technology Fund - Governor's Office (Agency 300)</u>	
Texas Emerging Technology Grant	\$ 799,134.18
Refund -Tigre Program	(4,988.23)
<u>Texas Department of Agriculture (Agency 551)</u>	
Texas Enology - Teaching Research and Extension Program	236,348.46
<u>Texas Higher Education Coordinating Board (Agency 781)</u>	
Coll Rdinss Stand-P16 Spec Adv	15,000.00
Course Redsign Ref	(2,272.66)
P-20 Council - TTU	25,000.00
Course Redsign TTU	149,996.00
Amendment TTU	20,000.00
Coll Readiness Specl Advisors	15,000.00
Texas Grant Program	10,712,240.00
Advanced Research Program	735,216.98
College Work Study Program	98,219.74
5th Year Accounting Scholarship	15,167.00
Engineering Recruitment Program	19,230.00
<u>Texas Commission on Environmental Quality (Agency 582)</u>	
Design and Operation of Land Application Systems	73,382.23
<u>Texas Food and Fiber Commission (Agency 904)</u>	
Evaluation of Fiber Properties for Texas State Cotton Breeders	449,478.64
<u>Texas Agrilife Research Station (Agency 556)</u>	
Development of a Reference SSR Map of Tetraploid Peanut	15,693.28
Texas Cooperative Extension	67,800.00
Texas Cotton Program	10,000.00
<u>Texas Water Development Board (Agency 580)</u>	
An Integrated Approach to Water Conservation	655,479.33
<u>Texas State Energy Conservation Office (Agency 907)</u>	
Utilizing Agricultural BioMass in Energy Production	<u>29,325.71</u>
Total Pass-Through from Other Agencies	<u>\$ 14,134,450.66</u>

Pass Through To:

<u>Texas Tech Health Sciences Center (739)</u>	
Biological Control of Feral Hogs	\$ 14,545.47
<u>Texas Agrilife Extension Service (555)</u>	
Agricultural Water Demonstration Initiative FARM	<u>108,485.36</u>
Total Pass-Through to Other Agencies	<u>\$ 123,030.83</u>

UNAUDITED

Texas Tech University
 Schedule 2A - Miscellaneous Bond Information
 For the Year Ended August 31, 2008

Description of Issue	Bonds Issued to Date	Range of Interest Rates		Scheduled Maturities		First Call Date
				First Year	Last Year	
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 6th Ser '99	\$ 99,467,818	4.00%	5.25%	1999	2029	2/15/2009
Rev Fin Sys Bds 7th Ser '01	107,355,000	3.00%	5.50%	2002	2031	2/15/2012
Rev Fin Sys Bds Tax 8th Ser '01	42,810,000	3.46%	6.75%	2003	2031	8/15/2012
Rev Fin Sys Ref & Imp Bds 9th Ser '03	32,995,000	2.00%	5.25%	2004	2023	8/15/2013
Rev Fin Sys Ref & Imp Bds 10th Ser '06	<u>161,220,476</u>	4.00%	5.00%	2007	2031	2/15/2016
Total	<u>\$ 443,848,294</u>					

UNAUDITED

Texas Tech University
 Schedule 2B - Changes in Bonded Indebtedness
 For the Year Ended August 31, 2008

Description of Issue	Bonds Outstanding 9/1/07	Bonds Issued	Bonds Matured or Retired	Bonds Refunded or Extinguished	Bonds Outstanding 8/31/08	Amounts Due Within One Year
Revenue Bonds						
Rev Fin Sys Ref & Imp Bds 6th Ser '99	\$ 44,692,855.56	\$	\$ 5,041,156.62	\$	\$ 39,651,698.94	\$ 5,262,943.84
Rev Fin Sys Bds 7th Ser '01	17,840,000.00		2,680,000.00		15,160,000.00	2,810,000.00
Rev Fin Sys Bds Tax 8th Ser '01	34,805,000.00		2,190,000.00		32,615,000.00	2,315,000.00
Rev Fin Sys Ref & Imp Bds 9th Ser '03	24,640,000.00		1,625,000.00		23,015,000.00	1,690,000.00
Rev Fin Sys Ref & Imp Bds 10th Ser '06	159,425,144.50		1,796,392.64		157,628,751.86	1,868,765.71
Total	<u>\$ 281,403,000.06</u>	<u>\$</u>	<u>\$ 13,332,549.26</u>	<u>\$</u>	<u>\$ 268,070,450.80</u>	<u>\$ 13,946,709.55</u>

UNAUDITED

Texas Tech University
 Schedule 2C - Debt Service Requirements
 For the Year Ended August 31, 2008

Description of Issue	Fiscal Year	Principal	Interest
Revenue Bonds			
Rev Fin Sys Ref & Imp Bds 6th Ser '99	2009	5,262,943.84	1,872,139.22
	2010	5,182,975.44	1,640,395.38
	2011	4,236,869.58	1,412,560.61
	2012	4,351,982.01	1,187,103.25
	2013	4,210,497.75	962,338.16
	2014 - 2017	16,406,430.32	1,619,555.92
Rev Fin Sys Bds 7th Ser '01	2009	2,810,000.00	811,675.00
	2010	2,960,000.00	664,150.00
	2011	3,080,000.00	508,750.00
	2012	3,070,000.00	347,050.00
	2013	3,240,000.00	178,200.00
Rev Fin Sys Bds Tax 8th Ser '01	2009	2,315,000.00	2,130,765.50
	2010	2,345,000.00	1,995,801.00
	2011	245,000.00	1,857,915.00
	2012	260,000.00	1,843,215.00
	2013	310,000.00	1,825,665.00
	2014 - 2018	3,760,000.00	8,559,975.00
	2019 - 2023	6,780,000.00	6,899,137.50
	2024 - 2028	9,365,000.00	4,321,020.00
2029 - 2031	7,235,000.00	975,150.00	
Rev Fin Sys Ref & Imp Bds 9th Ser '03	2009	1,690,000.00	1,102,100.00
	2010	1,765,000.00	1,033,000.00
	2011	1,840,000.00	951,700.00
	2012	1,490,000.00	868,450.00
	2013	1,570,000.00	791,950.00
	2014 - 2018	6,390,000.00	2,960,250.00
	2019 - 2023	8,270,000.00	1,077,362.50
Rev Fin Sys Ref & Imp Bds 10th Ser '06	2009	1,868,765.71	7,425,846.91
	2010	1,948,286.81	7,349,505.86
	2011	3,215,714.64	7,246,225.83
	2012	3,365,572.04	7,097,772.24
	2013	3,528,673.64	6,925,416.10
	2014 - 2018	41,683,945.01	29,410,400.28
	2019 - 2023	52,135,693.32	18,050,234.13
	2024 - 2028	39,656,100.69	6,842,383.26
	2029 - 2031	10,226,000.00	582,262.50
	Total Principal and Interest		\$ 268,070,450.80

UNAUDITED

Texas Tech University
 Schedule 2D - Analysis of Funds Available for Debt Service
 For the Year Ended August 31, 2008

Description of Issue	Net Available for Debt Service		Debt Service	
	Total Pledged and Other Sources	Operating Expenses/Expenditures and Capital Outlay	Principal	Interest
Revenue Bonds:				
RFS Ref & Imp Bds 6th Series 1999			\$ 5,041,156.62	\$ 2,094,390.69
RFS Bds 7th Series 2001			2,680,000.00	945,675.00
RFS Bds Tax 8th Series 2001			2,190,000.00	2,252,748.50
RFS Ref & Imp Bds 9th Series 2003			1,625,000.00	1,168,400.00
RFS Ref & Imp Bds 10th Series 2006			1,796,392.64	7,499,150.06
Total	\$ 395,798,293.47	\$ 328,860,161.48	\$ 13,332,549.26	\$ 13,960,364.25

UNAUDITED

Texas Tech University
Schedule 2E - Defeased Bonds Outstanding
For the Year Ended August 31, 2008

<u>Description of Issue</u>	<u>Year</u> <u>Refunded</u>	<u>Par Value</u> <u>Outstanding</u>
Revenue Bonds		
Revenue Financing System Refunding & Improvement Bonds, 6th Series 1999	2006	\$ 37,875,000.00
Revenue Financing System Bonds, 7th Series 2001	2006	<u>71,975,000.00</u>
Total		<u>\$ 109,850,000.00</u>

UNAUDITED

Texas Tech University
 Schedule 2F - Early Extinguishment and Refunding
 For the Year Ended August 31, 2008

Description of Issue	Category	Amount Extinguished or Refunded	Refunding Issue Par Value	Cash Flow Increase (Decrease)	Economic Gain/ (Loss)	
Revenue Bonds	Advanced Refunding	\$	\$	\$	\$	
	Advanced Refunding					
	Advanced Refunding					
		\$	0	\$	0	\$

UNAUDITED

Texas Tech University
Schedule 3 - Reconciliation of Cash in State Treasury
For the Year Ended August 31, 2008

<u>Cash in State Treasury</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Current Year Total</u>
Local Revenue (Fund 0255)	\$ 32,895,957.42	\$	\$ 32,895,957.42
Total Cash in State Treasury (Note 1)	\$ 32,895,957.42	\$	\$ 32,895,957.42